

AMENDED IN ASSEMBLY JUNE 29, 2006

AMENDED IN ASSEMBLY JUNE 20, 2006

AMENDED IN SENATE MAY 26, 2006

AMENDED IN SENATE APRIL 25, 2006

AMENDED IN SENATE MARCH 27, 2006

SENATE BILL

No. 1675

Introduced by Senator Kehoe

February 24, 2006

An act to add Section ~~13452~~ *13455* to the Business and Professions Code, and to add Section 43836 to the Health and Safety Code, relating to vehicular air pollution.

LEGISLATIVE COUNSEL'S DIGEST

SB 1675, as amended, Kehoe. Vehicular air pollution: renewable diesel fuel.

Existing law imposes various limitations on emissions of air contaminants for the control of air pollution from vehicular and nonvehicular sources. Existing law generally designates the State Air Resources Board as the state agency with the primary responsibility for the control of vehicular air pollution. Existing law permits, until January 1, 2008, any federal, state, or local agency to utilize a biodiesel blend fuel consisting of not more than 20% biodiesel in any retrofitted vehicular or off-road diesel engine certified by the state board, whether or not biodiesel is expressly identified as a fuel for use with the retrofit system, as provided. Existing law requires the state board to not adopt any regulation that establishes a specification for motor ~~vehicles~~ *vehicle* fuel unless that regulation, and a multimedia

evaluation, as defined, conducted by affected agencies and coordinated by the state board, are reviewed by the California Environmental Policy Council. Existing law generally provides that a violation of any rule, regulation, or law relating to air pollution is a crime.

This bill would require, all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 2% renewable diesel fuel, as defined, no later than 1 year after a specified finding is made by the state board, and, no later than 2 years after the implementation of the 2% standard, would require all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 5% renewable diesel fuel. The bill would require these provisions to be enforced by the Department of Food and Agriculture, as specified. The bill would permit the state board to adopt regulations to grant exemptions to those requirements under specified circumstances. The bill would also permit the State Energy Resources Conservation and Development Commission to temporarily suspend those requirements if fuel supplies are shown to be inadequate, as provided.

Because this bill would create new crimes by requiring all diesel fuel sold or offered for sale in the state to contain specified percentages of renewable diesel fuel by a certain date, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The United States Energy Information Administration
- 4 ranks California as second in petroleum consumption among the
- 5 fifty states.

1 (b) As the nation's leading consumer of petroleum for
2 transportation, California's increasing demand for petroleum and
3 rapidly growing consumption of gasoline and diesel fuel pose
4 substantial risks to the state's economy, security and
5 environment.

6 (c) Growing instability in global oil supplies and rapidly
7 increasing demand in China, India, and throughout the world are
8 likely to increase California's vulnerability to oil supply
9 disruptions and sudden price increases.

10 (d) California's current and projected levels of gasoline and
11 diesel demand far exceeds California's refinery capacity, which
12 results in limited competition and increased vulnerability to
13 market disruptions.

14 (e) Cost-effective alternative fuels and advanced technologies
15 are available today, such as biofuels and hybrid electric vehicles,
16 that can lessen economic instability caused by high fuel prices
17 and price spikes, while reducing risks to public health and
18 environmental degradation caused by increased consumption of
19 petroleum fuel.

20 (f) Renewable diesel fuels, including biodiesel, are petroleum
21 diesel substitutes. Biodiesel is produced from domestic
22 renewable sources and is nontoxic, biodegradable, and cleaner
23 burning than petroleum diesel.

24 (g) Biodiesel contains no sulfur or aromatics associated with
25 air pollution, reduces toxic emissions, and reduces emissions of
26 greenhouse gases.

27 (h) It is in the public interest to establish a market for
28 alternative fuels. By requiring a growing percentage of our fuel
29 supply to be renewable diesel fuel that meets appropriate fuel
30 quality standards, California will be able to reduce its
31 dependence on imports of foreign oil, improve the health and
32 quality of life for Californians, and stimulate the creation of a
33 new industry in California that benefits our farmers and rural
34 communities.

35 (i) In 2004, California fleets used about five million gallons of
36 biodiesel, and according to the California Energy Commission
37 and the California Environmental Protection Agency, biodiesel
38 blends as low as B2 (98 percent diesel and two percent biodiesel)
39 can play an important role in the introduction of cleaner
40 conventional diesel fuels and advanced diesel engines, reducing

1 diesel emissions, and reducing California's dependence on
2 petroleum.

3 (j) Today almost all vehicle and engine manufacture's accept
4 using blends up to B5 (95 percent diesel and 5 percent biodiesel)
5 with existing diesel engines, provided that the fuel complies with
6 American Society for Testing and Materials (ASTM)
7 specifications.

8 (k) With agricultural surpluses, commodity prices have
9 reached record lows. Implementing a California renewable diesel
10 standard would create new markets for California farm products.
11 Economic conditions are now favorable to utilize domestic
12 surpluses of bio based oil to enhance the state's energy security.

13 SEC. 2. Section 13455 is added to the Business and
14 Professions Code, to read:

15 13455. (a) The department shall enforce the diesel fuel
16 specifications of Section 43836 of the Health and Safety Code,
17 that require diesel fuel sold or offered for sale in the state for use
18 in internal combustion engines to contain specified percentages
19 of diesel fuel.

20 (b) In fulfilling its requirements under subdivision (a), the
21 department shall have all the same powers that it has in enforcing
22 the requirements of this division.

23 (c) By June 1, 2007, the department shall submit a feasibility
24 study to the Legislature that assesses the potential of California
25 to produce feedstocks of renewable diesel fuel, as defined in
26 subdivision (e) of Section 43836 of the Health and Safety Code.

27 SEC. 3. Section 43836 is added to the Health and Safety
28 Code, to read:

29 43836. (a) (1) The state board shall amend California diesel
30 fuel regulations to include mandatory statewide blends of
31 renewable diesel fuel as described in paragraphs (2) and (3) after
32 completing the multimedia evaluation required by Section
33 43830.8 and after making the finding required by subdivision (b).

34 (2) Commencing no later than one year after the publication of
35 the finding required by subdivision (b), all diesel fuel sold or
36 offered for sale in the state for use in internal combustion
37 engines, whether in a mobile or stationary source, shall contain at
38 least 2 percent renewable diesel fuel.

39 (3) Commencing no later than 2 years after the
40 implementation of paragraph (2), all diesel fuel sold or offered

1 for sale in the state for use in internal combustion engines,
2 whether in a mobile or stationary source, shall contain at least 5
3 percent renewable diesel fuel.

4 (b) ~~The state board shall determine whether~~ *Prior to adoption*
5 *of a resolution to require mandatory statewide blends of at least*
6 *2 percent or 5 percent renewable diesel fuel, the state board*
7 *shall determine that* requiring specified renewable fuel blends as
8 described in paragraphs (2) and (3) of subdivision (a) would
9 maintain or improve upon the emissions reductions and air
10 quality benefits achieved by the diesel fuel regulations contained
11 in Article 2 (commencing with Section 2280) of Chapter 5 of
12 Title 13 of the California Code of Regulations, including
13 emissions reductions for all pollutants and precursors identified
14 in the State Implementation Plan for ozone, and emissions of
15 potency weighted toxics compounds and particulate matter.

16 (c) The state board may adopt regulations to grant exemptions
17 to the requirements of ~~subdivisions (a) and (b)~~ *paragraphs (2)*
18 *and (3) of subdivision (a)* if it finds either of the following:

19 (1) That engine performance, engine emissions, fuel systems,
20 or emission control equipment would be adversely affected by
21 the standards set forth by ~~subdivisions (a) and (b)~~ *in paragraphs*
22 *(2) and (3) of subdivision (a).*

23 (2) That the implementation of those ~~subdivisions~~ *paragraphs*
24 *(2) and (3) of subdivision (a)* without the exemptions would
25 adversely affect the goals for alternative fuels established
26 pursuant to Article 6.5 (commencing with Section 43865).

27 (d) The State Energy Resources Conservation and
28 Development Commission may temporarily suspend the
29 requirements of ~~subdivisions (a) and (b)~~ *paragraphs (2) and (3)*
30 *of subdivision (a)* if renewable diesel fuel supplies are shown to
31 be inadequate, as determined by the commission.

32 (e) For the purposes of this section, “renewable diesel fuel”
33 means a diesel fuel that is either of the following:

34 (1) Biodiesel, which is comprised of mono-alkyl esters of long
35 chain fatty acids derived from renewable resources including, but
36 not limited to, vegetable oils, waste grease, or animal fats,
37 meeting the requirements of the American Society for Testing
38 and Materials (ASTM) D-6751.

39 (2) Any other diesel fuel produced from eligible renewable
40 sources and meeting either the requirements of ASTM D-975 or

1 a state-approved standard promulgated by an American National
2 Standards Institute (ANSI) accredited standards development
3 organization, including, but not limited to, the Society of
4 Automotive Engineers (SAE) and ASTM.

5 ~~(g)~~
6 (f) This section shall be known, and may be cited, as the
7 California Renewable Diesel Standards Act.

8 SEC. 4. No reimbursement is required by this act pursuant to
9 Section 6 of Article XIII B of the California Constitution because
10 the only costs that may be incurred by a local agency or school
11 district will be incurred because this act creates a new crime or
12 infraction, eliminates a crime or infraction, or changes the
13 penalty for a crime or infraction, within the meaning of Section
14 17556 of the Government Code, or changes the definition of a
15 crime within the meaning of Section 6 of Article XIII B of the
16 California Constitution.

O